

## Message Text

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PAGE 01 STATE 165544  
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FM SECSTATE WASHDC  
TO AMEMBASSY CAIRO PRIORITY

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E.O. 11652; N/A

TAGS: IBRD, EAID

SUBJECT: WORLD BANK LENDING TO EGYPT

REF: CAIRO 11118

1. JUDGING FROM REFTEL, THERE IS A MISUNDERSTANDING IN  
GOE REGARDING U.S. ROLE IN DETERMINATION OF IDA SHARES AND  
LIKELY OUTCOME FOR EGYPT OF CURRENT BANK REVIEW OF  
CRITERIA FOR IDA COUNTRY ALLOCATIONS.

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PAGE 02 STATE 165544

2. AT INFORMAL MEETING OF IDA DONORS IN PARIS ON FEBRUARY  
25, TREASURY ASSISTANT SECRETARY BERGSTEN EXPRESSED USG  
VIEW THAT CHANGES IN INTERNATIONAL ECONOMY SINCE LAST  
REVIEW OF IDA CRITERIA IN 1973 MADE NECESSARY A REVIEW OF  
CRITERIA FOR IDA COUNTRY ALLOCATIONS. AS PART OF PRESEN-  
TATION, ILLUSTRATIVE SHARES WERE CITED FOR CERTAIN COUN-  
TRIES TO SUPPORT NEED FOR NEW REVIEW OF CRITERIA. A  
SHARE OF 12.6 PERCENT OF IDA-V WAS CITED FOR EGYPT AS

UPPER LIMIT IF ONE ASSUMED ALL BANK/IDA LENDING TO EGYPT WOULD BE ON IDA TERMS. THIS UPPER LIMIT WAS NOT MEANT TO INDICATE AN APPROPRIATE SHARE FOR EGYPT AND THE USG IN PARIS MEETING DID NOT ATTEMPT TO SET IDA SHARE OF EGYPT OR ANY OTHER COUNTRY.

3. WHILE USG BELIEVES AN INCREASE IN EGYPT'S IDA SHARE IS DESIRABLE AND MAY WELL RESULT FROM THE APPLICATION OF NEW IDA CRITERIA, THIS DECISION WILL BE MADE BY BANK MANAGEMENT. SECRETARY BLUMENTHAL MADE THIS POINT IN HIS DISCUSSIONS WITH KAISSOUNI AND SADAT EARLIER THIS YEAR. WE DO NOT EXPECT, HOWEVER, THAT EGYPT'S IDA-V SHARE WILL BE ANYWHERE NEAR THE 12.5 PERCENT CITED IN KAISSOUNI LETTER, ESPECIALLY SINCE WE DO NOT EXPECT ALL IBRD/IDA LENDING TO EGYPT TO BE ON IDA TERMS AND SINCE SEVERAL COUNTRIES WHICH DID NOT RECEIVE IDA-IV FUNDS WILL BE RECEIVING IDA-V FUNDS.

4. IN RESPONDING TO GOE, SUGGEST EMBASSY MAKE FOLLOWING POINTS: (A) USG SUPPORTS CURRENT BANK REVIEW OF IDA CRITERIA FOR COUNTRY ALLOCATIONS; (B) WHILE USG SUPPORTS INCREASE IN EGYPT'S IDA SHARE, DECISION ON THIS MUST AWAIT OUTCOME OF REVIEW AND WILL BE MADE BY IBRD MANAGEMENT. WE HAVE NOT URGED ANY SPECIFIC FIGURE ON THE LIMITED OFFICIAL USE

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PAGE 03 STATE 165544

BANK AS DESIRABLE FOR EGYPT OR ANY OTHER COUNTRY; AND (C) THE INCREASE IN SIZE OF IDA-V OVER IDA-IV WOULD LEAD TO GREATER IDA LENDING TO EGYPT EVEN IF SHARE REMAINED THE SAME. VANCE

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## Message Attributes

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**TAGS:** EAID, EFIN, EG, IBRD, WB  
**To:** CAIRO  
**Type:** TE  
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